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INFORMATION REPORT

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COUNTRY Hungary

REPORT

SUBJECT Developments at the Iron Works at Sztalinváros

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THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
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1. Production of iron was begun in the first quarter of 1954, before the completion of the construction work and before Soviet delivery of iron ore on a regular basis was assured. Due to shortages, the Hungarian Government, with full concurrence of the USSR, began to negotiate with Yugoslavia for iron ore.

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2. [redacted] the cost of production was in 1954 three times higher than the processing plants were capable of paying. With the supply of the essential raw materials, especially iron ore, in doubt, the authorities were not sure just how to proceed with the erection of the plant. As a first measure, it had been decided to modify the scheme as follows:

- a. Instead of four, only two big blast furnaces were to be constructed. One of these with a capacity of 500 tons is already in operation, and the second is under construction. Work on the second furnace is progressing slowly, and though it was planned to finish it by the fall of 1955, it appears that this date will not be met.
- b. Instead of eight Martin furnaces - each with a capacity of 125 tons - only four will be constructed. One of these was put into service in August 1954, and the second is under construction. The construction of the remaining two will proceed in step with the construction of the second big blast furnace.
- c. It has been decided not to build the rolling mills.
- d. The power station, which has been planned to have three turbo-generators of 21,000 kw. capacity, will be built as planned. The lack of power makes the construction of this plant imperative.
- e. The fate of the coke plant was uncertain during the summer of 1954. The construction, which was begun in 1952, has been stopped. The small output of iron has reduced the demand for coke by 50%. Deliveries from [redacted]

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[REDACTED] Eastern Germany of 400,000 tons of high-grade coke have helped the Hungarians to decide to shelve this problem for the time being.

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- f. The ore crushing, loading, and sorting installations will be built on a reduced scale. While waiting for the new blueprints, work has stopped.
3. These developments at Sztalinváros have freed workers for other projects. Many of the 8 - 10,000 workers at one time employed at Sztalinváros have been transferred to Kazincbarcika and to agricultural projects.

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